

M e m o r a n d u m

To: Panel Members

Date: September 22, 2006

From: Diana Torres, Manager

Analyst: K. Campion

Subject: One-Step Agreement for **GENERAL ATOMICS**

CONTRACTOR:

- Training Project Profile: Retraining: Companies W/Out-Of-State Competition
- Legislative Priorities: Promotion of California's Manufacturing Workforce Moving To A High Performance Workplace
- Type of Industry: Manufacturing Engineering Research & Development
- Repeat Contractor: No
- Contractor's Full-Time Employees
 - Worldwide: 3,513
 - In California: 3,210
- ETP Trainees Represented by Union: No
- Name and Local Number of Union Representing ETP Trainees: N/A

CONTRACT:

- Program Costs: \$221,400
- Substantial Contribution: \$0
- Total ETP Funding: \$221,400
- Total In-kind Contribution: \$253,000
 - Trainee Wages Paid During Training: \$253,000
 - Other Contributions: \$0
- Reimbursement Method: Fixed-Fee
- County(ies) Served: San Diego

INTRODUCTION:

General Atomics (GA) was established in 1955 as a division of General Dynamics in San Diego for the purpose of harnessing the power of nuclear technologies, and has since been considered the primary developer of modular helium-cooled nuclear power reactor systems. In the mid-1980's, GA has since gone through an ownership change and is now privately held.

GA and its affiliated companies manufacture, operate, and service unmanned aerial vehicles, and provide information technologies for government and other industries. Additionally, the company provides nuclear instrumentation, aircraft launch and recovery systems, superconducting magnets, systems for hazardous material destruction, and magnetic levitation systems for its customers. The company's main facilities in San Diego, California house engineering and test facilities, precision manufacturing installations, and advanced technology laboratories.

GA is eligible for funding under the out-of-state competition provisions outlined in Title 22, California Code of Regulations, Section 4416(b) for companies classified as manufacturers retraining current employees. The company proposes to retrain 300 full-time workers in the skills necessary to become a high performance workplace.

MEETING ETP GOALS AND OBJECTIVES:

GA proposes training that will further the following ETP goals and objectives:

- 1) Foster job retention of high-wage, high-skilled jobs in industries that are threatened by out-of-state competition.
- 2) Provide funding to companies in industries identified as a priority industry and key to the State's economic health.
- 3) Support companies moving to a high performance workplace environment.

TRAINING PLAN TABLE:

Grp/Trainee Type	Types Of Training	No. Retain	No. Class/Lab Videocnf. Hrs.	No. CBT Hrs.	Cost Per Trainee	Hourly Wage After 90 Days
Job Number 1 Retraitees Priority Industries	MENU: Computer Skills, Continuous Improvement, Hazardous Materials, Manufacturing Skills, Advanced Technology	300	24 – 100	2	\$738	\$12.31 – \$74.00
Wages After 90-Day Retention						
<u>Occupation</u> Administration Staff (Assistant, Specialist, Buyer, Administrator) Engineer & Scientist Engineering Science Support Staff Finance/Accounting Staff Information Technology Staff Manufacturing Staff Technician Supervisor/Manager/Director						
<u>Health Benefits Used To Meet ETP Minimum Wage:</u> Although the employer pays health benefits for its employees, the hourly contribution is not being used to meet the ETP minimum wage requirements.				<u>Turnover Rate</u> 5%	<u>% Of Mgrs & Supervisors To Be Trained:</u> 8.3%	
<u>Other Employee Benefits:</u> In addition to medical insurance, GA offers the following fringe benefits: 401K retirement plan; education reimbursement program; and holiday, vacation, and sick leave.						

COMMENTS / ISSUES:

➤ *Advanced Technology (AT)*

GA requests the priority industry fixed-fee reimbursement rate of \$26 per hour for AT training for approximately 45 Information Technology Staff. These retrainees will receive 24 – 100 hours of AT training in programming skills such as Advanced Business Application Programming (ABAP), Oracle, C++, Windows Server Administration, and WEB Programming. GA reports that these classes are necessary for the installation, operations, maintenance and support of the Systems, Applications, and Products (SAP) a new Enterprise Resource Planning system for which ABAP is a programming language. Classes in Oracle and C++ will be used to enhance SAP for the conversion and migration from the GA's old Legacy systems. Windows Server Administration provides an overview of the essential protocols and explains how to properly manage and configure the services.

Company representatives state that the training will be delivered by vendors at a cost of about \$50.00 to \$270 per trainee hour. Class size will be limited to 10 students or less based upon the complexity of the subject matter. Company representatives state that the excess costs of this training above the ETP fixed rate will be paid at GA's expense.

➤ *Frontline Workers*

All participants in this project meet the Panel definition of frontline workers under Title 22 California Code of Regulations, Section 4400(ee), except for 25 supervisors, managers and directors, or 8.3 percent of the trainee population.

➤ *Production During Training*

GA agrees that during ETP-funded training hours, trainees will not produce products or provide services which will ultimately be sold.

RECOMMENDATION:

Staff recommends that the Panel approve this one-step Agreement and the funding at the AT reimbursement rate because it will help GA increase its competitive edge by improving its operational efficiencies. The approval of this Agreement will also help the company to expand its business scope by developing and acquiring new technologies to create a high performance workplace.

NARRATIVE:

GA has three operating units: Advanced Technologies Group, Energy Group and the Nuclear Fuels Group. The Advanced Technologies and Energy Group are the operating units included in this proposal.

Historically, GA has focused heavily upon engineering research and development in nuclear fission and fusion. In recent years, advances in technologies have propelled the company towards the development of nuclear fuel cycles to remotely operated surveillance aircraft, and the development of airborne sensors and advanced electric, electronic, and wireless and laser technologies.

To manage these new business directions, the company has made a strategic decision to replace its 20 year-old financial, contracts, sales and distribution, and project management system with a new financial/ERP computer system called SAP. GA has committed more than \$5 million in hardware, software and consultant services to implement the SAP system and project it will be fully implemented within the next two years. The company projects that the SAP system will help GA manage its current and future business growth and provide the tools to interact more effectively with its customers, including the Department of Defense. As a result, the company projects to move towards a high performance workplace by increasing the productivity and efficiencies of its operations. This requires training for its frontline staff. Company representatives report that none of the proposed training is included in the aforementioned \$5 million SAP purchase price.

GA requests ETP funds to retrain its frontline staff in computer skills, continuous improvement, hazardous materials, manufacturing skills, and advanced technology. Retrainees will receive formal, class/lab training based on their job functions.

Computer Skills

Company representatives report that the new SAP system will enhance access to and sharing of business information across the organization and will provide a better infrastructure to accommodate anticipated growth in its products and services. The implementation of this system will change the way employees perform their jobs. Therefore, all trainees in the training plan will receive class/lab and CBT in one or more modules of SAP.

The first stage in the SAP system implementation will include training in purchasing and inventory, payroll, accounts receivable and payable, business intelligence, contracts and billing and project systems. Workers will learn how to access and navigate the SAP system and learn how the system integrates material planning, procurement, payments, and inventory management. Additionally, project managers will learn how real-time access of data helps them plan and execute their projects. GA representatives project that ultimately the SAP system will increase the productivity and efficiency of all company operations.

According to GA, some trainees lack the advanced skills for day-to-day computer operations in accounting and financial services using SAP. For example, finance and accounting staff need training on how to upload accounting vouchers into the general ledger for processing. Therefore, of the 300 trainees in the training plan, 25 to 50 trainees are designated to receive Advanced

NARRATIVE: (continued)

Microsoft Office applications training, to raise the data creation, analysis and reporting capabilities of these workers in conjunction with the SAP system. Other computer skills courses will include Project Management, Visio Software and Multimedia skills.

Continuous Improvement

Continuous improvement training is proposed for some trainees in the training plan who will receive one or more modules of class/lab continuous improvement training to help them understand how the new SAP system will interface with project teams and project development. Trainees will learn how to improve their specific process areas and use measurement and analysis to monitor and sustain process improvements. Some essential leaders in the company including supervisors, managers and directors will also receive Leadership Skills training so that it can lead its staff through change.

Hazardous Materials

GA requests ETP funding in hazardous materials training for approximately 20 trainees. These trainees will receive 24 hours of class/lab training in new processes for handling hazardous wastes and training in the environmental impact of hazardous materials. According to the proposed Contractor, the proposed hazardous materials training is intrinsic to the trainees' jobs and is not part of the typical safety training provided at GA.

Manufacturing Skills

The second stage in the SAP implementation will include training for manufacturing personnel. This training will provide the necessary skills to manufacturing staff to run a manufacturing project with the latest and most updated information and costing data possible. Training topics include Manufacturing Planning in SAP, Production Orders, Variant Configuration, Solution Awareness and Batch Management.

Advanced Technology

Advanced technology training will equip Information Technology staff with the skills to design, program and develop the software programs that support the company's SAP implementation.

Commitment to Training

GA representatives state that the ETP funding under this proposal will not displace any of its resources for training. The company has not had a formal training budget, with the exception of new hire orientation, safety training, sexual harassment prevention training, and occasional job-specific training. Some SAP training has recently commenced, but is not included in the proposed training.

Company representatives report that the ETP funds will provide GA with the resources to train beyond its current scope and in topics that otherwise could not have been considered. Company representatives project that the proposed training will ultimately create a more efficient and effective workplace.

NARRATIVE: (continued)

After the ETP-funded program ends, GA representatives project continued training for new employees in SAP and other courses that have demonstrated value to the company.

SUBCONTRACTORS:

To be determined.

THIRD PARTY SERVICES:

None

GENERAL ATOMICS








MENU CURRICULUM

HOURS
CLASS/LAB





24 – 100

Trainees will receive one or more of the following:




COMPUTER SKILLS

-  Systems, Applications and Products (SAP) Systems
-  Manufacturing Resource Planning (MRP)& Enterprise Resource Planning (ERP)
-  Project Management Skills
-  Visio Software Skills
-  Multimedia Skills
-  Advanced Microsoft Office Skills
-  Advanced Software Function Skills







CONTINUOUS IMPROVEMENT

-  Production Operations/Workflow
-  Process Improvement Skills
-  Leadership Skills
-  Program & Project Management Techniques






HAZARDOUS MATERIALS

-  Hazardous Materials Handling
-  Hazardous Chemical Cleaning/Handling
-  Hazardous Waste Cleaning

MANUFACTURING SKILLS

-  Discrete and Repetitive Manufacturing
-  Manufacturing Planning in SAP
-  Production Orders
-  Variant Configuration
-  Solution Awareness
-  Batch Management

ADVANCED TECHNOLOGY


-  ABAP – Systems, Applications and Products (SAP) program language
-  Oracle – Database and program language used to enhance SAP system.
-  Windows Server Administration
-  C++ Programming Language
-  Web Programming (Java, Active Server Pages)

GENERAL ATOMICS

MENU CURRICULUM (continued)

HOURS
CBT
2

COMPUTER BASED TRAINING (CBT)

 Systems, Applications and Products Skills – SAP125

Comment: The parties agree that the training identified in this Curriculum may be revised from time-to-time during the term of this Agreement at the request of Contractor and with the prior written approval of ETP. (See also Section 12 in this Agreement.)